Saskatchewan Housing Corporation

Annual Report for 2015

saskatchewan.ca

Government of Saskatchewan

Table of Contents

Letter of Transmittal 1

Message from the Minister 2

Message from the Assistant Deputy Minister, President and CEO 3

Message from the Board Chair 4

Introduction 5

Alignment with Government's Direction 5

Corporation Overview 6

Progress in 2015 8

Management Discussion and Analysis 16

Corporate Governance 42

For More Information 44

Letter of Transmittal

April 29, 2016

Her Honour, the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Housing Corporation for the fiscal year ended December 31, 2015. This report includes the financial statements in accordance with *The Saskatchewan Housing Corporation Act*.

Respectfully Submitted,

Donna Harpauer

Donna Harpauer
Minister Responsible for
Saskatchewan Housing Corporation

Message from the Minister

It is my privilege to serve as the Minister responsible for Saskatchewan Housing Corporation.

The Government of Saskatchewan is committed to keeping Saskatchewan strong and ensuring a better quality of life for Saskatchewan people. Housing is a fundamental part of this vision. This Annual Report shows how Saskatchewan Housing Corporation (SHC) continues to ensure that housing is available, accessible and affordable for Saskatchewan citizens in need of a safe, quality place to call home.

Over the past year, SHC made great strides supporting this mandate. SHC worked closely with key stakeholders to continue implementing the *Housing Strategy for Saskatchewan* and increasing the supply and affordability of homes across the province. SHC also delivered programs and services to meet the housing needs of Saskatchewan people, as well as the business needs of the housing industry. This approach is increasingly relevant as we move forward to address current housing needs and implement ideas and solutions to meet the challenges and opportunities that lie ahead.

It is this balance between measures to improve housing outcomes and providing direct and indirect housing assistance that defines SHC's past and present work. I am proud of these achievements and have no doubt this will continue as we work to plan the future of housing in this province.

I would like to take this opportunity to acknowledge the SHC Board of Directors, senior management and staff for their exemplary work in achieving the successes outlined in this report. I also thank our many partners for their vision and leadership as we work together to keep Saskatchewan strong by improving the well-being of people and the communities in which they live.

I am confident that we will continue to make a difference in the lives of the people we serve.

Donna Harpauer

Donna Harpauer
Minister Responsible for
Saskatchewan Housing Corporation

Message from the Assistant Deputy Minister, President and CEO

I am pleased to present the 2015 Annual Report for Saskatchewan Housing Corporation (SHC).

SHC's mandate is to provide essential housing-related programs and services in support of the housing industry and Saskatchewan people in housing need. We take this role seriously, managing our activities with full transparency and accountability. This annual report demonstrates how we are achieving our goals and objectives as we work to provide affordable housing options for Saskatchewan citizens.

Over the past year, we have achieved many successes and continue to offer high quality housing programs and services in support of our clients and stakeholders. These include:

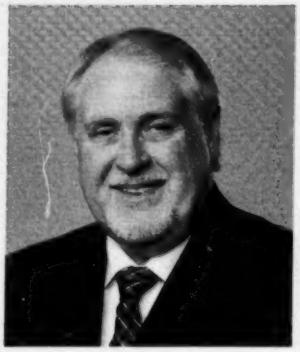
- social and affordable rental housing;
- development of new housing;
- home repair, renovation and adaptation programs;
- supply-focused programs;
- homeownership options, and;
- support for housing planning.

We understand that more needs to be done before we can be assured that all Saskatchewan people enjoy the benefits of a well-housed province. Partnerships are critical to achieving this vision, and I am proud of the professional relationships we have developed to provide Saskatchewan people with more housing choices. In addition to Housing Authorities and non-profit organizations, SHC partners with housing co-operatives, Métis and First Nation housing providers, and private landlords who own and manage housing for low- and moderate-income tenants. SHC also works with municipalities, other government ministries and the Federal Government to integrate housing programs and services.

I am proud of our collective efforts and know that we will continue to display creativity, innovation, leadership and leading edge practices in the future. I commend the SHC Board and staff for their responsibility in meeting Saskatchewan's housing and support needs, and for making SHC the strong organization that it is. I have every confidence that together, we will continue to bring housing solutions to Saskatchewan citizens and fulfill the accountability entrusted in us.

Don Allen
Assistant Deputy Minister, President and CEO
Saskatchewan Housing Corporation

Message from the Board Chair



The Saskatchewan Housing Corporation (SHC) has long been committed to business excellence through innovation and sound financial management. The activities and accomplishments outlined in this report showcase SHC's ability to adapt to current realities, and meet objectives and targets that make a meaningful difference in the lives of Saskatchewan people.

As Board Chair, I am proud of SHC's achievements in 2015. SHC understands the realities, the issues, the challenges as well as the successes of housing in this province, without losing sight of its fundamental purpose – to promote housing quality, affordability and choice for Saskatchewan citizens.

We, as the Board, will ensure that SHC continues to build upon these successes and to serve Saskatchewan people in a responsible, progressive and transparent manner. We will continue to collaborate with our housing partners and stakeholders to meet the goals and objectives laid out in the *Housing Strategy for Saskatchewan*, as well as the priorities and accountabilities given by the Government of Saskatchewan.

This report also shows what can be achieved when challenging targets are set and innovative partnerships are embraced. Together with its partners and stakeholders, SHC's approach is to help those in greatest housing need while also remaining responsive to the needs of the housing industry. I am proud of the good work that has been done, and of the foundations that have been laid for the future.

We couldn't have achieved this success without our many partners and stakeholders, fellow SHC Board members, management, volunteers and staff and I thank them for their hard work and dedication. There is a range of diversity and experience that has allowed SHC to move forward with its commitments which, collectively, help to change people's lives for the better. I commend everyone for their commitment to housing excellence, and anticipate another exciting and productive year in 2016.

K Hanson

Keith Hanson, P.Eng.
Chair, Board of Directors

Introduction

This Annual Report for the Saskatchewan Housing Corporation (SHC) presents the results and outcomes of the Corporation's activities for the fiscal year ending December 31, 2015. It reports to the public and elected officials on public commitments made and other key accomplishments of the Corporation.

The 2015 Annual Report will be presented in relation to Government's vision and four goals as well as the *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, which was released in October 2012.

The 2015 Annual Report also sets the stage for future planning by providing an opportunity to assess the accomplishments, results, and lessons learned, and identify how to build on past successes for the benefit of Saskatchewan people. It also demonstrates SHC's commitment to effective public performance reporting, transparency and accountability to the public.

Alignment with Government's Direction

Vision

Saskatchewan will be the best place in Canada to live, to work, to start a business, to get an education, to raise a family and to build a life.

Goals

- Sustaining growth and opportunities for Saskatchewan people;
- Securing a better quality of life for all Saskatchewan people;
- Meeting the challenges of growth; and
- Delivering responsive and responsible government.

SHC, together with all ministries and agencies, supports the achievement of the Government's four goals and works with its partners towards a growing and prosperous Saskatchewan.

SHC is helping to sustain growth and opportunities, and secure a better quality of life for all Saskatchewan people, by partnering with the private sector, not-for-profit organizations, municipalities, the Federal Government, Crown corporations, and other ministries in implementing *A Strong Foundation – The Housing Strategy for Saskatchewan*.

SHC aligns with Government's direction by providing a range of housing programs and services for households that could not otherwise access or afford adequate, safe, and secure shelter. SHC also supports the repair and improvement of existing housing and the development of new housing for low- and moderate-income households to meet the demands of those in greatest need.

In addition to providing a range of programs and initiatives to meet the housing needs of Saskatchewan's low- and moderate-income households, the provision of affordable housing is also a cornerstone in many of Government's major strategic policy initiatives – *The Saskatchewan Plan for Growth: 2020 and Beyond* (the Growth Plan), *People Before Systems: Transforming the Experience of Disability in Saskatchewan* (Saskatchewan's Disability Strategy), the *Mental Health and Addictions Action Plan*, and the *Saskatchewan Poverty Reduction Strategy*.

Corporation Overview

Mandate

While recognizing the marketplace as the primary vehicle for the provision of housing, SHC promotes independence and self-sufficiency by providing housing and housing services to people who could not otherwise afford or access adequate, safe, and secure shelter. SHC manages financial contributions from the provincial, federal and municipal levels of government, and plays a lead role in the development of housing policies on behalf of the Government of Saskatchewan.

Programs and Services

SHC provides a range of housing programs and services, including:

- Social and affordable rental housing;
- Development of new housing;
- Home repair, renovation and adaptation programs;
- Supply-focused programs;
- Homeownership options; and
- Support for housing planning.

Responsibilities of SHC include:

- Managing operating agreements with approximately 485 organizations;
- Program and operational policy development;
- Program related research and reviews;
- Accounting and other financial services;
- Business planning and financial policy development; and
- The delivery of housing programs and services.

The SHC owned rental housing portfolio consists of 18,195 units located in communities throughout the province. SHC owned units are managed by local housing authorities and are targeted to low- and moderate-income families, seniors and persons with disabilities. In addition, 10,800 units, including 6,724 rental units and 4,076 special purpose housing units (i.e. special care and group home beds) are owned and operated by nearly 250 different non-profit groups and co-operatives. In total, SHC provided support for households living in approximately 29,000 housing units in 2015.

Distribution of the portfolio is as follows:

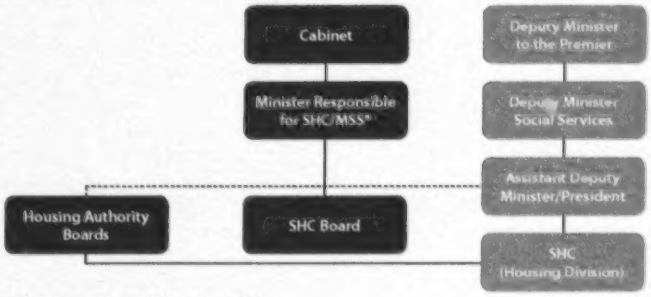
- 45 per cent seniors;
- 32 per cent families;
- 14 per cent special needs; and
- 9 per cent singles.

Organizational Structure

SHC is a Treasury Board Crown Corporation and is accountable to Cabinet through the Minister of Social Services. SHC operates under the authority of *The Saskatchewan Housing Corporation Act* which establishes a Board of Directors (the Board) to conduct the affairs and business of the Corporation. The Board provides oversight in accordance with the legislated objectives and powers vested in SHC.

The Board is responsible for establishing a strategic direction for SHC within the framework of Government priorities and directions, and monitoring results towards those ends. The Board also oversees the financial affairs of SHC, approving business and budget plans and monitoring financial results; ensures that significant risks to the business of SHC are identified and that internal controls and plans are in place to mitigate identified risks; oversees housing program design within the parameters set by the Government of Saskatchewan and/or the Government of Canada cost-sharing requirements; ensures SHC's assets, including information, are safeguarded; and appoints SHC's external auditors subject to the Government of Saskatchewan guidelines, which respect the role of the Provincial Auditor.

SHC's Accountability Structure – Legal and Financial



* *Ministry of Social Services (MSS)*

Management services are provided to SHC by the Ministry of Social Services (MSS). SHC pays an annual fee to MSS for these services.

The Minister establishes local housing authorities and appoints the volunteer board members who oversee operations of the housing authority.

Housing Partners

The success of SHC's programs and services relies on partnerships. In addition to housing authorities and non-profit organizations, SHC partners with housing co-operatives, Métis and First Nation housing providers, and private landlords who own and manage housing for low- and moderate-income tenants. SHC also works with municipalities, MSS and other government ministries, and the Federal Government to integrate housing programs and services with other services.

The following comments are part of a letter received from a senior living in housing provided by one of our First Nation housing partners. It demonstrates just how important these partnerships are to the people of Saskatchewan.

"Living here has improved my quality of life 500 per cent. Previously I lived in a small house which was cold and needed a lot of upgrades, the furnace was in the living room, the bathroom felt like a closet. The natural lighting, and accommodating personal living space, makes it a blessing to be living here. The design of the building encourages interaction with other tenants. The close proximity to a grocery store, dollar store and strip mall is a huge benefit to all tenants."

Volunteers

Dedicated volunteers are essential to the ongoing success of SHC's activities. Community-based management enables local people to respond to local situations, thereby bringing enhanced knowledge and responsiveness to the housing system. Saskatchewan's network of local housing authorities is composed of more than 1,400 volunteers. Other housing agencies are served by around 1,200 volunteers across the province.

Support to Housing Authorities and other Housing Agencies

SHC supports the general operation and services of local housing authorities and other housing agencies that are responsible for delivering housing programs and maintaining the operation of housing units. This includes broad management support to general operations, property, technical services, tenant, and financial stewardship, as well as responding to the diverse needs of each housing group in their delivery of tenant services and programs.

Progress in 2015

Significant Achievements in 2015

Together with its partners in the private, public and non-governmental sectors, SHC continues to work towards the realization of the four Government-wide goals. The following is a summary of the key achievements under each goal:

GOAL 1: Sustaining growth and opportunities for Saskatchewan people

SHC has implemented a number of strategies that have resulted in record numbers of new housing across the province. In 2015, $132.6 million was invested to develop 1,777 units and repair 315 homes across the province.

In the North, SHC worked with a committee of northern stakeholders to develop recommendations to address northern housing needs. As a result, SHC is pursuing the sale of up to 50 Social Housing units at fair market value to Social Housing tenants, providing an opportunity for current program clients to transition to homeownership. The proceeds of these sales will be re-invested in new housing for northern communities.

Through the sale of SHC's older stock of single-family Social Housing units in Regina, Moose Jaw and Prince Albert, we are building more modern and energy efficient multi-unit housing in these communities.

GOAL 2: Securing a better quality of life for all Saskatchewan people

SHC is following through on Government's commitment to a better quality of life for all Saskatchewan people by improving access to safe, affordable homes. Through SHC's partnerships with municipalities, builders, lenders and non-profit groups, the province has seen record numbers of new rental housing in many communities across the province, providing more choice and access to the people of Saskatchewan.

GOAL 3: Meeting the challenges of growth

Despite record numbers of new rental units and increased vacancy rates, some low-income households still face affordability challenges and difficulty finding accessible housing in the private market. In response, SHC has converted the Affordable Housing Rental Program to the Social Housing Rental Program in market communities.

This change ensures households in the greatest housing need pay rents that are affordable to them. Once completed, approximately 2,700 units will have transitioned from a fixed rent to a rent based on 30 per cent of the household's income.

As well, SHC will continue to work with third parties and other partners through programs, such as the Rental Development Program and the Secondary Suite Program, to create more affordable rental housing targeted to vulnerable populations in need across the province.

GOAL 4: Delivering responsive and responsible government

SHC is committed to working with community leaders and local housing authority boards to ensure that housing is in place to meet their current and future needs. SHC conducts periodic reviews of its programs and housing services to ensure that they are serving the intended clients and that they reflect community and client needs and housing trends in the province.

Summary of Financial Results

Reported figures reflect results for SHC's fiscal year ending December 31, 2015.

Expenditures

SHC expenditures for 2015 were $189.1 million. This was $2.8 million below budget primarily due to targeted reductions in expenditures resulting from Government fiscal restraints.

Revenues

SHC revenues for 2015 were $195.7 million. In some SHC programs, revenues are only recognized when the expense occurs: for example, in the provincially and federally funded Rental Development Program. In 2015, revenues were $4.4 million below budget primarily due to the fewer than anticipated sale of properties during the year, the impact of the lower than budgeted expenditures and the corresponding revenue recognition recorded to offset them.

Progress by Key Program Areas

SHC has made significant progress in 2015 towards achieving a number of strategic goals. The following section provides detailed results of SHC's achievements during 2015, with results provided for each of SHC's strategic directions.

A Strong Foundation: The Housing Strategy for Saskatchewan

One of the key principles of A *Strong Foundation: The Housing Strategy for Saskatchewan* (*Strategy*) is that housing is a shared responsibility. A co-ordinated effort from the entire housing sector is critical to keeping Saskatchewan strong and responsive to the needs of all citizens. To set the *Strategy* into action and establish annual priorities, SHC has worked with other Crown corporations and ministries to create provincial action plans. Some actions are designed to have immediate results. Many have become part of regular business practices and are carried forward into future years and action plans.

The *Strategy* includes five strategic directions:

- Support individuals and families in greatest housing need;
- Improve housing affordability;
- Increase the housing supply;
- Enhance strategic planning for housing; and
- Collaborate, communicate and educate.

Since the introduction of the *Strategy*, continuous progress has been made on Government-wide actions in support of the strategic directions. Over the last four years, the number of rental housing starts relative to total housing starts has been well above historical norms. In Saskatchewan's larger urban centres, with populations of 10,000 or more, 24 per cent of the total housing starts were purpose-built rental units, which is almost identical to the percentage in 2014. As the rental market improved, SHC began to shift focus away from supply and towards supporting low-income households facing affordability challenges, persons impacted by disability, youth at risk and the "hard to house" including those with mental health, addictions and behavioural issues.

Measuring Performance

SHC tracks and reports on a number of measures that help provide an understanding of the changing marketplace and measure the quality of SHC housing and services. This information assists Government, SHC and other stakeholders to plan future investments in housing to meet the needs of all citizens.

The *Housing Starts* and *Vacancy Rate* measures both indicate that previous concerns about the provincial housing supply are being addressed. This allows SHC to intensify its efforts on supporting low-income households facing affordability challenges and targeted vulnerable populations.

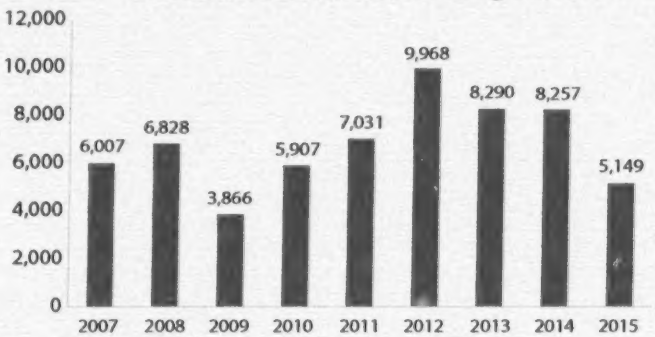
The *Tenant Satisfaction* measure indicates the percentage of tenants that are either satisfied or very satisfied with their housing and the services received from the housing authorities. In addition to gauging tenant satisfaction, these surveys also provide tenants the opportunity to provide feedback and express any concerns they have.

Housing Starts

The *Housing Starts* measure tracks the number of new housing starts across the province since 2007 and includes both homeowner and rental units in all areas of the province.

Government incentives and the private market response have been very successful in creating new supply of homeowner and rental housing. The increased supply has allowed movement from private market rental housing to homeownership, which in turn has opened up rental units to allow residents in subsidized rental housing to move to the private market. However, economic uncertainty and slower population growth, along with increasing inventories of completed but unsold new housing have combined to slow down starts. As a result, overall housing starts in Saskatchewan were down 38 per cent in 2015 compared to 2014.

Saskatchewan Annual Housing Starts*



*Includes all types of housing in all areas of the province.
Source: Canada Mortgage and Housing Corporation (CMHC), Feb. 2016

Vacancy Rates

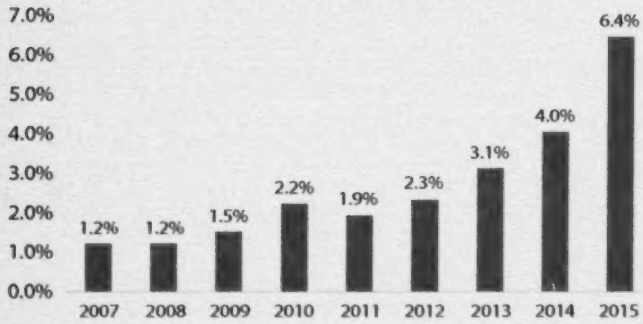
The increased rental supply and increase in the availability of housing in general have contributed to the upward movement of provincial vacancy rates, which has in turn led to moderated rental rate increases and provided Saskatchewan residents with increased choice of housing

to better meet their specific needs. SHC is also helping to address the challenges of growth by consulting and collaborating with the housing sector and municipalities across the province. The goal is to provide a range of programs and initiatives to address the need for affordable rental housing and improve access to rental housing for those who need it most.

The *Provincial Rental Vacancy Rate* measure indicates the percentage of privately-initiated apartment units in projects of three or more units, of all bedroom types, that are available for immediate rental across the province.

The average provincial vacancy rate has now reached 6.4 per cent, which reflects the increase of new rental units that have become available on the market over the past few years. Generally, vacancy rates of between 2.5 to 3.5 per cent are considered a balanced market. A balanced rental market is one that allows a variety of choice for renters but also a fair rate of return on investments for landlords.

Provincial Rental Vacancy Rate

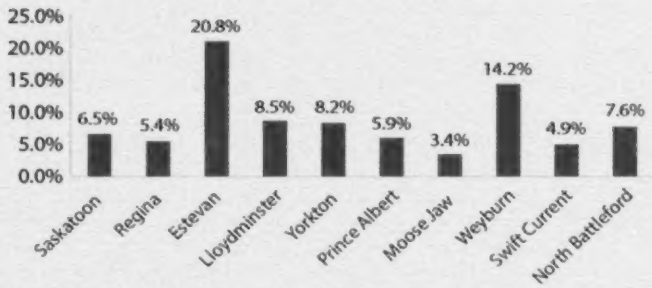


Source: Canada Mortgage and Housing Corporation (CMHC), Feb. 2016

The *Vacancy Rate in Saskatchewan's 10 Largest Communities* measure indicates the percentage of privately-initiated apartment units in projects of three or more units, of all bedroom types, that are physically unoccupied and available for immediate rental in Saskatchewan's 10 largest urban centres.

The following chart provides a more detailed look at vacancy rates throughout the province's major urban centres. While a number of centres in Saskatchewan reported increased vacancy rates in 2015, not all centres followed the same upward trend. North Battleford, Prince Albert, and Swift Current all recorded moderate declines in their respective vacancy rates between CMHC's 2014 and 2015 fall rental market surveys. Over the same period, Moose Jaw was the only community in this year's survey to show no statistically significant change in the vacancy rate relative to last year.

Vacancy Rates in Saskatchewan's Ten Largest Communities



Source: Canada Mortgage and Housing Corporation (CMHC), Oct. 2015

Tenant Satisfaction

SHC works hard to provide good, clean, safe homes for the families, individuals, seniors and persons with disabilities who are SHC's tenants, and values and appreciates their feedback. SHC regularly conducts tenant surveys to help identify areas for improvement and to indicate what is working well. SHC has set a target for the tenant satisfaction rating to reach 90 per cent by 2018. In 2015, 84 per cent of tenants surveyed reported being satisfied with their housing. As well, many tenants took the time to express their satisfaction with the services they received. Here are a few comments SHC was happy to receive over the last year.

"I am happy to be a tenant. If it wasn't for low-income housing I wouldn't be able to give my children the space they need to live."

"I feel very comfortable here and plan to stay as long as I can manage to care for myself."

Investment in Affordable Housing

In the past year, we worked closely with our partners such as the Canada Mortgage and Housing Corporation (CMHC), to invest in affordable housing. Affordability is related to the availability of housing through programs that either maintain or increase the supply of housing targeted to low- and moderate-income earners, and providing opportunities for households that might not otherwise be able to afford safe and adequate housing.

2015 was the second year of the five-year extension to the Investment in Affordable Housing (IAH) Agreement with CMHC signed on August 26, 2014. Under the Federal/Provincial IAH Agreement, SHC continues to deliver a number of programs to support the delivery of new affordable housing supply for targeted groups and repairs

to existing housing. This agreement will invest up to $92 million over five years to ensure that households in housing need have improved access to affordable housing that is sound, suitable, and sustainable.

SHC reports on the outcomes achieved through IAH investments at the end of the fiscal year in the Ministry of Social Services Annual Report and throughout the year in news releases.

Supporting Individuals and Families in Greatest Housing Need

SHC collaborates with housing partners to deliver programs that address local housing needs and priorities. This allows housing delivery to support emerging Government strategies that are focused on the province's most vulnerable populations. SHC's delivery of affordable rental housing to the "hard to house" addresses recommendations from the *Mental Health and Addictions Action Plan* (MHAAP), the *Saskatchewan Disability Strategy* and the *Saskatchewan Poverty Reduction Strategy*. All of these strategies indicate that stable and affordable housing combined with appropriate services leads to improved outcomes for vulnerable populations and cost reductions for government.

Rental Development Program

One of the key programs for developing housing for those in the greatest need is the Rental Development Program (RDP). It provides funding to non-profit corporations, co-operative groups, and the private sector to respond to community needs by developing affordable rental housing projects targeted for vulnerable and low-income people. In 2014, SHC recognized the need to provide additional support to people and households not traditionally served by the private housing market. In 2015, SHC altered its Request for Proposals (RFP) process to focus on soliciting projects that target specific vulnerable and low-income populations including persons with disabilities and the "hard to house."

In 2015, $15.4 million was provided for the completion of 648 housing units or beds, including 11 for persons with disabilities, 11 for families, four for individuals who are "hard to house," 16 for seniors and 606 for students.

One example of the variety of projects and the type of partnerships that the RDP supports is the Westgate Heights Attainable Housing project in Saskatoon. This project will provide 10 units of affordable rental housing for families with complex needs and 30 units of affordable housing to individuals and families. This includes housing for single mothers caught in the poverty cycle who are facing multiple challenges.

Another example is a project in Regina in collaboration with a third-party partner, Gabriel Housing Corporation (Gabriel), which owns and operates over 300 Social and Affordable Housing units in the community. Supported by funding through RDP, Gabriel is developing six units for families with complex needs who are considered "hard to house."

Shelter Enhancement Program

Designed to assist victims of family violence, the Shelter Enhancement Program (SEP) provides financial assistance to non-profits, First Nation groups, and charities for the purpose of constructing new or renovating existing emergency shelters and second-stage housing units.

In 2015, $145,588 was provided to repair 15 bedrooms in a shelter for victims of family violence.

Supporting victims of family violence sometime requires dealing with tragic situations and staying the course. For example, in 2013, $1.5 million of SEP funding was committed to a project supporting construction of a new shelter for victims of domestic violence in Melfort. Construction started in the spring of 2014, and in November of that year was about 70 per cent complete when an accidental fire nearly destroyed the building. With insurance coverage from Saskatchewan Government Insurance (SGI) and increased support from SHC, construction was underway again in February 2015, and the new shelter is expected to be in operation by spring 2016.

Rental Housing Program Changes

Despite the increased availability of rental housing across the province, SHC recognizes that low-income households may face affordability challenges. In response, in March 2015, SHC converted about 2,700 Affordable Housing Program units to the Social Housing Program in 26 urban communities. Under the Social Housing Program, rents are based on 30 per cent of household income while the Affordable Housing Program has a set lower market rent. This had resulted in some low-income clients in the Affordable Housing Program paying more than 30 per cent of their incomes towards rent.

Tenants who remain in the Affordable Housing Program will still pay a lower market rent, but these rents will increase over time. It is anticipated that higher-income households will transition to the private market, as their rents increase. As higher-income households vacate their units, low-income applicants on the waiting list will replace them, ensuring that people with low-income and with the greatest need will have better access to Social Housing units.

With this change, hundreds of seniors, families and individuals have seen reductions in their monthly rent.

By November 2015, 13 per cent of Affordable Housing Program tenants had transitioned to the Social Housing Program and 20 per cent of Affordable Housing Program tenants had moved out of SHC units. SHC believes that while the transition rate is low over this period, it will rise as the annual rent increases for those under the old Affordable Housing Program come into effect, beginning March 1, 2016.

Supporting Government of Saskatchewan Strategies

In support of Saskatchewan's most vulnerable citizens, the Province is currently moving forward on a number of strategies including the *Mental Health and Addictions Action Plan, the Saskatchewan Disability Strategy and the Saskatchewan Poverty Reduction Strategy*. The development of these plans and strategies builds on Government's goal to ensure that Saskatchewan's growth benefits everyone in the province. SHC has been identified as a partner in these strategies. Increasing the availability of affordable housing and/or accommodation is a key action in each of the service responses. With the roll-out of these strategies over the next few years, populations whose needs are not being adequately met will be identified and SHC will assist in the development of projects designed to meet their needs.

This support is illustrated in the story behind the development of Fromm Manor in Yorkton, which provides housing for persons impacted by multiple barriers. In 2013, the City of Yorkton identified the need for additional housing for single adults with physical/cognitive disabilities and/or a mental health condition. They found that this group had trouble attaining and maintaining safe and affordable housing in their community. This led to increased reliance on more costly support services such as health care and increased involvement with the justice system. As a result, support workers spent much of their time continually looking for appropriate shelter and helping them to re-locate. These individuals needed the stability in their lives that safe affordable housing provides. The response to this need was Fromm Manor. Built in 2015 through funding provided under the IAH Agreement, the project includes 11 accessible bachelor suites, including one that is completely barrier free. Each unit has a separate entrance with a small patio and yard for residents to call their own. The units were built specifically to accommodate the resident's needs and are centrally located to allow them independent access to grocery stores, a laundromat, drug stores, medical treatment and all the service agencies which provide them support. In August 2015, 11 young adults moved into their brand new accommodations, something they never thought they would ever have.

Portfolio Renewal

It is also important to ensure that the homes SHC provides are safe and well-maintained. The SHC owned housing portfolio is aging and becoming more costly to maintain and live in. SHC is selling up to 300 of its single-family homes in Regina, Moose Jaw and Prince Albert to help cover the cost of building more modern and energy efficient multi-unit housing in these communities. These new units will reduce maintenance and improvement (M&I) costs for SHC and lessen the impact of increasing utility costs for tenants. Portfolio Renewal will also create more affordable housing opportunities through the sale of the single-family units to first-time homebuyers. Building new units in these communities will help make sure that there is a good supply of quality Social Housing units, both now and into the future.

As of December 31, 2015, 109 sales of single-family dwellings have occurred in these three urban centres, including 12 to households who purchased the residence they previously rented. The proceeds from these sales are being re-invested in these communities to help finance the creation of 121 new units.

Portfolio Sustainability

Federal funding for the Social Housing Rental Program is declining, and the funding received will eventually be less than the subsidy needed to offset operating costs. This could jeopardize SHC's ability to provide the same level of benefits to Social Housing clients as well as maintaining the assets itself. In order to prepare for this possibility, SHC has been identifying best practices and efficiencies, and has developed a Capital Asset Planning Model and a Capital Asset Plan. Now implemented, the Capital Asset Plan will improve portfolio monitoring and decisions regarding maintenance and repairs. It will also assist in determining portfolio investment decisions so that SHC will be well positioned to respond appropriately to current and future housing needs.

Housing Development for Valley View Residents

SHC is working in co-operation with other divisions in the Ministry of Social Services to assist in the transition of residents with cognitive disabilities from Valley View Centre in Moose Jaw to new homes in the community. Drawing on its experience in the development and acquisition of new housing, SHC has been working with the Valley View Transition Team to identify and acquire appropriate housing. To date, SHC has purchased seven existing houses and nine vacant lots. Renovations on the houses are currently underway with four houses completed, for 16 bedrooms in total.

Improving Housing Affordability

SHC is committed to improving housing conditions for all citizens and has a number of programs that assist households to address housing affordability issues and ensure that existing housing remains in good condition. These programs support and complement other Government responses to housing supply and affordability challenges, such as HeadStart on a Home and the First Time Homebuyer's Tax Credit.

Saskatchewan Home Repair Programs

The redesigned Repair Programs were launched in 2012, reflecting Saskatchewan's current housing environment and unique housing needs. The redesigned programs have higher assistance levels, increased eligibility, and shorter loan forgiveness periods.

These programs assist low-income homeowners, and rental property owners housing low-income tenants, to repair or modify their dwellings. These programs, which are funded in partnership with the Federal Government, help to ensure that units meet minimum health and safety standards, building codes, and accessibility requirements for persons with disabilities. Rental property owners who receive funding must rent to low-income households and charge an affordable rent.

In 2015, $3.8 million was provided to repair 315 homes across the province.

Secondary Suite Program

The Secondary Suite Program is an innovative program that has been successful in increasing access to affordable rental housing for low-income households. Through the Secondary Suite Program, eligible homeowners and rental property owners can receive up to 50 per cent of the construction costs to build or renovate a secondary suite for rental to low-income households. The maximum loan amounts are up to $10,000 for the development of a suite in new construction, or up to $30,000 for the development or renovation of a suite in an existing property.

In 2015, $1.4 million was provided for the completion of 79 secondary suites through this program.

Capital Rent Subsidy

Introduced in 2012, the Capital Rent Subsidy (CRS) helps to develop affordable rental units by encouraging landlords of newly constructed rental housing to reduce rents for qualified low- and moderate-income renters. CRS provides housing that is more affordable for tenants in private rental housing through a rent subsidy that bridges the gap between market rent and rent affordable to households with low- and moderate-incomes.

In 2015, 53 units were completed under the Program. Due to the large amount of unabsorbed new housing units and higher vacancy rates, the CRS was reviewed and SHC does not anticipate a call for CRS proposals in 2016.

Habitat for Humanity Partnership

Many families have a dream of owning their own home. However, some are faced with limited resources and other challenges that can make that dream seem very far away. SHC was pleased in the past year to once again work side by side with Habitat partners across Saskatchewan to help make the dream of homeownership a reality for many families.

In 2015, 23 new homeowners saw their homes completed in seven communities across the province.

Life Lease

The Life Lease Program was designed to create alternative housing arrangements and provide additional housing support for seniors, one of the Province's most vulnerable populations. In 2014, SHC made changes to the Life Lease Program to ensure the program responds to changing market conditions. The changes included revising the eligibility and prioritization criteria for greater consistency with the Social Housing Program and increasing the deposit amounts to reflect current market conditions, unit size, and location.

SHC is targeting approximately 30 to 50 units for conversion to the Life Lease Program in up to ten communities. To date, 26 units have been designated for conversion to Life Lease; 10 of the units have been renovated, six of which are currently occupied. The remaining 16 units are in the planning, tender, or construction phases.

Increasing the Housing Supply

Current vacancy rates in Saskatchewan suggest there is no longer a need for Government to actively encourage additional rental supply, as almost all communities with populations over 10,000 have vacancy rates above the range considered optimal for the market (2.5 to 3.5 per cent). As a result, SHC will continue to encourage innovation in the delivery of new housing, but programs aimed solely at increasing supply will sunset.

Summit Action Fund

The Summit Action Fund (SAF) was designed to increase housing supply across the province through innovation in

the housing sector. Totaling $6 million in funding, the SAF provides a grant of up to $500,000 to housing stakeholders who have creative housing solutions that are not covered by existing housing programs.

Since its inception in 2011, funding from the SAF has been allocated to 18 projects to create 257 units across the province.

Rental Construction Incentive, Affordable Home Ownership Program and Corporate Income Tax Rebate.

The Rental Construction Incentive (RCI) provided a grant up to $5,000 per unit to participating municipalities which have programs that support the development of new, purposely-built rental housing or the conversion of non-residential property to rental units.

RCI has been effective in stimulating an increase in rental supply. As of December 2015, 3,831 rental units have either been completed or are under construction.

The Affordable Home Ownership Program (AHOP) reimbursed participating municipalities a grant up to the equivalent of five years of the education portion of property tax to a maximum of $5,000 per household to provide moderate-income households with assistance to purchase a new home.

Since 2011, there have been 526 units either completed or under construction through AHOP.

The Corporate Income Tax Rebate (CITR) on New Rental Housing was designed to encourage rental housing construction with a 10 year, 10 per cent reduction in the provincial corporate income tax rate on taxable income earned from the rental of multi-unit housing. The application deadline was December 31, 2014 and it is estimated that the 10 per cent reduction in the tax rate will, on average, provide a savings of $3,000 per unit over the 10 years.

As of December 2015, ten *Certificates of Eligibility* have been issued under CITR, for a total of 340 units.

These supply-focused programs have been successful in creating additional housing supply and have achieved the objectives they were designed to accomplish. The timeframes set for each program has ended and based on current market conditions these three programs will not be extended. These programs will continue to exist administratively until all remaining funding commitments and reporting requirements have been met.

Enhancing Strategic Planning for Housing

SHC continues to support housing planning in communities across the province. This includes: initiatives that provide assistance for the creation of housing plans; community planning support, including provision of information and expertise about housing to communities and local organizations; and increased partnerships and forums for housing.

Encouraging Community Housing Options

Municipalities play an essential role in managing growth, especially when it comes to meeting the housing needs of their communities. To assist municipalities in planning for and managing growth, the Encouraging Community Housing Options (ECHO) Program provides cost-matched funding to municipalities and regions to assist with the cost of housing planning and to encourage action that will increase the housing supply. The program matches municipal and regional partnership contributions to complete housing plans or to take action on strategies identified in a housing plan or other type of needs assessment. Up to $20,000 is available to complete a housing plan and up to $10,000 to implement a plan.

Housing planning in the North presents unique challenges due to the number of remote communities dispersed across a large region. In response, the ECHO Program has been expanded to help northern communities meet housing needs through the development of long-term housing plans. Two new components provide cost-matched funding to northern municipalities and regions. Up to $5,000 is available to complete community-housing plans and up to $20,000 is available for regional plans.

Twelve housing plans have been completed that will positively affect eight communities in managing their housing growth. In addition, six commitments have been made to support municipalities to take action on housing issues that were identified through their housing plans.

Small Communities Rental Market Survey

SHC conducts the *Small Communities Rental Market Survey* on an annual basis. This survey compliments CMHC's Rental Market Survey, which analyzes the rental market in all urban areas with populations of 10,000 or more. The *Small Communities* survey fills an important data gap for the Province, as it is the only source of annual data on primary rental markets in communities with populations between 500 and 10,000 people.

The survey conducted in the fall of 2015 supports communities and Government by:

- Helping assess need and demand, and plan for future housing;
- Providing rental market data for the adjustment of shelter allowance and rental supplement rates; and
- Identifying the level of need for development of subsidized housing in emerging housing markets and non-market communities.

Program and Operational Reviews

As part of SHC's continuing efforts to ensure its programs are effective and meeting the overall objectives of the Provincial Government, reviews of the Capital Rent Subsidy Program and the Rental Repair Program were completed in 2015.

In 2015, SHC conducted five Operational Reviews of housing authorities throughout the province including reviews on two housing authorities in the North. The purpose of an Operational Review is to review internal business processes and outcomes in order to continually improve performance and results, facilitate dialogue and share best practices. An important component of these reviews is the survey of tenants. These tenant surveys reveal that 84 per cent of tenants are satisfied or very satisfied with their individual units and the service they receive from SHC and the housing authorities.

Research Reports

In the interest of supporting efficient and effective programming and providing housing expertise to communities and stakeholders, SHC continues to conduct research to identify current and emerging needs and trends in the housing market. In 2015, SHC conducted research focused on Seniors (Aging in Place), Immigration and Housing, and Housing for Persons with Disabilities. The results of these studies will assist SHC and its partners in designing and delivering housing programs to meet emerging trends and ensure that they are targeted to those in greatest need.

Collaborating, Communicating and Educating

SHC continues to work with stakeholders across the province to support *A Strong Foundation – The Housing Strategy for Saskatchewan*. Communication across geographic areas and between members of the housing sector is important to create efficiencies and opportunities. The housing sector needs to work together, share information effectively, and communicate well with the public.

The Importance of Partnerships

Meeting the challenge of growth requires the full participation of all parties involved in housing delivery. SHC has been consulting with community stakeholders across Saskatchewan and providing other opportunities for communication, collaboration and education on housing.

Working with Northern Communities and Stakeholders

SHC, northern partners and the housing sector are working to find creative solutions to reduce Saskatchewan's housing pressures in the North. In 2015, SHC invested $1.5 million in the North to develop 11 new rental units. In addition, $62,569 has been invested to repair six homeowner units to ensure that families have a safe home to live in.

A committee of northern stakeholders has worked with SHC to develop recommendations that promote and support housing planning in northern Saskatchewan to increase capacity and to create home ownership opportunities. As a result, SHC is pursuing the sale of up to 50 northern Social Housing units at fair market value to existing tenants. The sale of Social Housing units will not result in a permanent loss, as SHC will re-invest the proceeds of these sales in new housing for northern communities.

Non-Profit Housing Workshops

In the fall of 2015, SHC held two workshops, one in Saskatoon and the other in Regina, to bring the non-profit housing sector together to discuss common issues and share information. In addition to providing networking opportunities, these workshops included presentations by the Cities of Regina and Saskatoon, the Office of Residential Tenancies and SHC on a number of important and timely topics.

Management's Discussion and Analysis

Saskatchewan Housing Corporation (SHC) plays an important role in supporting Government direction within the province and delivering on improving quality of life and affordability for all residents of Saskatchewan. Several challenges continue to impact on SHC's financial ability to support these objectives:

- Declining federal funding for ongoing operations;
- An aging portfolio of units that have high costs to maintain and operate;
- Continuing demand for housing supply in urban centers due to population growth and migration; and
- The impact of growing demand for housing on affordability.

These challenges have been ongoing for SHC over the last several years and SHC has focused its efforts to mitigate their impacts on its programs and the residents of Saskatchewan that rely on SHC. Through regular reviews of its operations, SHC has further identified growing challenges with declining rural populations and the increasing level of supports required for the tenants that are living in Social Housing that will require additional consideration for future operations.

SHC will continue to deliver Social Housing and meet its program commitments in Saskatchewan while continually striving to improve its operations and best allocate its resources to most effectively support Government direction.

2015 – Major Developments

The provincial rental market continues to hold a vacancy rate (6.4 per cent in 2015) above the 2.5 to 3.5 per cent that is considered balanced. As such, SHC has focused its efforts towards addressing affordability of rental housing within the province, meeting the housing needs of those most in need and improving the sustainability of its existing housing portfolio.

In 2015, SHC owned Affordable Housing Program units in larger (market) communities were consolidated into the Social Housing Program. The transition for tenants is being phased in over three years. The anticipated result is a small decrease in rental revenues as rent levels become tied to income and tenants that choose to transition to market housing are replaced by lower income tenants that are most in need. The initial transitioning of residents occurred in 2015 and further tenant changes are expected to occur over the next two to three years.

SHC continues the use of a Capital Asset Planning Model (CAPM) as a measure of the condition of its portfolio of properties and for the short-term and long-term planning to prioritize spending.

SHC took possession of an additional 91 units in newly constructed multi-unit housing in 2015 as a part of its portfolio renewal program. Construction of an additional 76 units is planned to begin in 2016. To date, 121 more modern and energy efficient units have been completed, which are being financed through the sale of single family units. Sales are expected to continue for the next few years.

In 2015, SHC made additional commitments to fund projects within the province as a result of the five year extension to the Investment in Affordable Housing Agreement signed in the fall of 2014. This Agreement will result in provincially matched funding from Canada Mortgage and Housing Corporation of up to a combined total of $91.9 million being invested in housing in the province over the next several years.

SHC continues with the conversion of units into the expanded Life Lease Program. The expansion of the program is intended to provide accessible and affordable housing for seniors who cannot afford or access it in the private market and are unable to access Social Housing programs, as their asset or income levels exceed the prescribed maximum limits. Conversions are being completed in a measured approach that will see small numbers of units converted over several years to balance supply with anticipated demand.

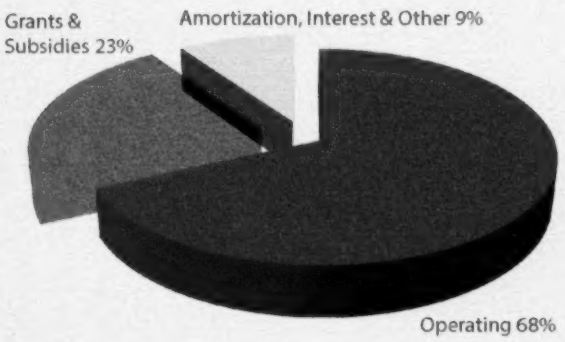
SHC continues to work with the Ministry of Social Services on the development of new residential homes in support of the closure of the Valley View Centre in Moose Jaw. To the end of 2015, SHC has completed four new residential properties and the Ministry is transitioning residents into these properties. Development of additional properties is anticipated to continue for the next few years.

2015 – Results of Operations

Expenditures

Saskatchewan Housing Corporation expenditures for 2015 were $189.1 million, an increase of $6.7 million or 3.6 per cent (2014 - $182.4 million).

2015 Expenditures - $189.1 million



Costs of operating the rental housing portfolio (excluding amortization) were $128.5 million, an increase of $2.9 million over prior year (2014 - $125.6 million). Major elements of operating costs for 2015 included:

- Maintenance and renovation expenditures were $50.5 million in 2015, (2014 - $48.3 million);
- Utilities expenditures were $20.3 million (2014 - $20.3 million);
- Grants in lieu of property taxes were $15.2 million (2014 - $14.6 million); and
- Other operating expenditures were $42.5 million (2014 - $42.4 million).

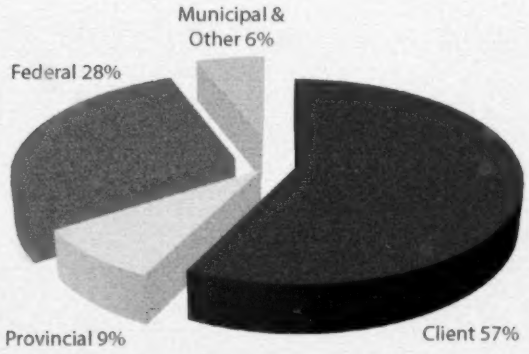
Grants and subsidies expenditures increased by $3.6 million to $42.6 million (2014 – $39.0 million). The difference was primarily the result of:

- Grants for improvements to facilities on behalf of government ministries increased by $2.0 million to $3.9 million (2014 - $1.9 million);
- Grants under the Rental Construction Incentive program increased by $1.1 million to $3.6 million (2014 - $2.5 million);
- Grants under the Housing Trusts increased by $0.7 million to $1.6 million (2014 - $0.9 million); and
- Grants under affordable housing programs increased by $0.5 million to $17.8 million (2014 - $17.3 million).

Revenues

Revenues for SHC were $195.7 million for 2015, an increase of $12.5 million or 6.8 per cent (2014 - $183.2 million).

2015 Revenues - $195.7 million



Rents and other income from clients decreased by $0.4 million in 2015 to $111.9 million (2014 - $112.3 million). This is a 0.4 per cent decrease and client revenue represents approximately 57.2 per cent of SHC's total revenue. Other revenue items of note include:

- Federal contributions of $55.6 million (2014 - $48.3 million). The increase was primarily due to the extension of the Investment in Affordable Housing (IAH) agreement that resulted in increased federally funded project completions for 2015;
- Provincial contributions of $16.8 million (2014 - $12.0 million). The increase was primarily due to increased revenue recognized for capital improvements to facilities on behalf of government ministries, and the Rental Construction Incentive program; and
- Gains on disposals of properties, interest income, and other contributions, including municipal contributions, increased to $11.4 million (2014 - $10.6 million) primarily due to increased sales of housing units.

Investment in Properties

At the end of 2015, SHC had $160.2 million of investments in properties, representing the unamortized book value of approximately 18,200 owned rental units with a replacement value estimated to be $3.8 billion.

During the year, SHC completed $22.6 million of new properties and amortized $13.3 million of property costs.

Construction in progress at the end of 2015 was $3.4 million, $1.0 million above 2014. As these properties are completed, federal and provincial funding is allocated to fund the future amortization expense.

2015 Financial Position

Under the various federal agreements, SHC is able to defer to future years amounts received, but unexpended, in any given year. These Deferred Federal Contributions must be used for eligible program expenditures as specified in the agreements. During 2015, federal contributions received under the agreements were more than SHC's expenditures, resulting in an increase in accumulated deferrals of $2.8 million to $148.4 million at December 31, 2015 (2014 - $145.6 million). Of the 2015 ending amount, $123.0 million is available for future expenditures (2014 - $119.5 million) and $25.4 million (2014 - $26.1 million) is to fund future amortization expense of capital assets.

Operating activities realized $2.2 million cash in 2015. Capital activities, including investment in new properties, utilized $14.4 million in the year. Investing and financing activities realized $1.8 million, resulting in a net decrease of $10.4 million in SHC's cash position for the year. The 2015 ending cash position is $115.2 million (2014 - $125.6 million).

The $115.2 million of cash held is mostly related to SHC's various deferred revenue sources, which will be recognized as related expenditures occur. At the end of 2015, SHC has $31.8 million in contractual obligations, not including ongoing subsidy assistance, associated with these deferred funds.

Saskatchewan Housing Corporation

Summary of Key Financial Operating Results
2012 – 2016 (thousands)

	2012	2013	2014	2015	2016 Plan
Rent, operating income and other contributions	$ 117,499	$ 155,980	$ 122,944	$ 123,336	$ 123,202
Recognized Provincial Contributions	20,145	13,835	12,024	16,764	17,542
Recognized Federal Contributions	73,171	54,726	48,279	55,587	55,396
Total Revenues	**$210,815**	**$224,541**	**$183,247**	**$195,687**	**$196,140**
Operating and other charges	$ 130,885	$ 125,240	$ 125,541	$ 128,229	$ 134,343
Grants and Subsidies	61,125	49,977	39,041	42,585	39,303
Amortization	13,872	13,149	12,811	13,277	12,720
Interest	4,933	4,716	5,021	4,966	4,771
Total Expenses	**$210,815**	**$193,082**	**$182,414**	**$189,057**	**$191,137**
Net Operations	**$ ---**	**$ 31,459**	**$ 833**	**$ 6,630**	**$ 5,003**

2015 Financial Overview

Management's Responsibility for the Consolidated Financial Statements of Saskatchewan Housing Corporation

These consolidated financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided.

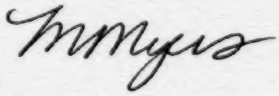
The preparation of financial statements necessarily involves the use of estimates, based on informed judgments by management and giving appropriate consideration to reasonable limits of materiality. In the opinion of management, the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, changes in net assets and cash flows of Saskatchewan Housing Corporation. Financial information presented elsewhere in this annual report is consistent with the consolidated financial statements and the underlying information from which the financial statements were prepared.

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The Corporation's Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit and Finance Committee meets periodically with management and with the external auditors to discuss matters relating to financial reporting, internal control and audits. The Audit and Finance Committee also reviews the consolidated financial statements before recommending approval by the Board of Directors.

The consolidated financial statements have been approved by the Board of Directors and by Treasury Board, and have been examined by external auditors appointed by the Lieutenant Governor in Council. The responsibility of the external auditors is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Corporation's financial position, results of operations, changes in net assets and cash flows as shown in the consolidated financial statements. The Auditors' Report outlines the scope of their examination and expresses their opinion.

Don Allen
President
March 23, 2016



Miriam Myers
Chief Financial Officer

Independent Auditors' Report

To The Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Housing Corporation, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and notes, consisting of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saskatchewan Housing Corporation as at December 31, 2015, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants
March 10, 2016
Regina, Canada

Saskatchewan Housing Corporation
Consolidated Statement of Financial Position

As at December 31

(thousands)

	2015	2014
Assets		
Investment in properties (note 5)	$ 160,177	$ 149,876
Deposits with contractors	49	2,456
Loans receivable (note 6)	4,407	4,867
Accounts receivable	8,191	11,932
Debt retirement funds (note 7)	32,212	29,897
Cash (note 8)	115,166	125,616
	$ 320,202	**$ 324,644**
Liabilities, Deferred Contributions and Net Assets		
Liabilities and Deferred Contributions:		
Long-term debt (note 9)	$ 54,331	$ 55,630
Life lease deposit agreements	14,314	12,761
Land profits holding account	---	215
Accounts payable and accrued liabilities	21,770	21,789
Deferred federal contributions (note 10)	148,388	145,552
Deferred provincial contributions (note 11)	51,527	65,056
Other deferred contributions related to capital assets (note 12)	3,368	3,767
	$ 293,698	**$ 304,770**
Net Assets:		
Internally restricted – portfolio renewal reserve (note 13)	$ 16,767	$ 10,189
Internally restricted – risk reserve (note 13)	3,982	4,601
Internally restricted – renovation commitments (note 13)	649	606
Unrestricted	5,106	4,478
	$ 26,504	**$ 19,874**
	$ 320,202	**$ 324,644**

Contingencies and contractual obligations (notes 22 and 23)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

K Hanson

Keith Hanson
Chair

P. W. Pitka

Pat Pitka
Director

Saskatchewan Housing Corporation
Consolidated Statement of Operations

For the year ended December 31

(thousands)

	2015 Planned	2015 Actual	2014 Actual
Revenues:			
Rents and other income	$ 109,521	$ 111,930	$ 112,366
Interest income (note 15)	3,124	3,836	3,337
Gain on disposal of properties (note 16)	8,400	6,827	6,292
Federal contributions:			
Social Housing Agreement (note 10)	55,226	41,932	39,079
Agreement for Investment in Affordable Housing (note 10)	5,975	13,363	8,909
Other agreements (note 10)	292	292	291
Provincial contributions:			
Operating	755	755	755
Housing trusts (note 11)	1,795	1,794	1,134
Affordable Housing programs and other (note 11)	14,061	14,215	10,135
Municipal and other contributions	916	743	949
	$ 200,065	**$ 195,687**	**$ 183,247**
Expenses:			
Operating (note 17)	$ 138,425	$ 128,540	$ 125,643
Grants and subsidies (note 18)	36,175	42,585	39,041
Amortization of investment in properties	12,527	13,277	12,811
Interest expense (note 19)	4,738	4,966	5,021
Other charges (recoveries)	---	(311)	(102)
	$ 191,865	**$ 189,057**	**$182,414**
Net operations	**$ 8,200**	**$ 6,630**	**$ 833**

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation
Consolidated Statement of Changes in Net Assets

For the year ended December 31

(thousands)

	Internally Restricted				2015	2014
	Portfolio Renewal Reserve	Risk Reserve	Renovation Commitments	Unrestricted	Total Net Assets	Total Net Assets
Balance, beginning of year	$ 10,189	$ 4,601	$ 606	$ 4,478	$ 19,874	$ 19,041
Net operations	---	---	---	6,630	6,630	833
Expenses	(145)	---	(606)	751	---	---
Internal transfers (note 13)	6,723	(619)	649	(6,753)	---	---
Balance, end of year	**$ 16,767**	**$ 3,982**	**$ 649**	**$ 5,106**	**$ 26,504**	**$ 19,874**

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation
Consolidated Statement of Cash Flows

For the year ended December 31

(thousands)

Cash Provided By (Used In):	2015	2014
Operating Activities:		
Net operations	$ 6,630	$ 833
Items not affecting cash:		
Amortization of investment in properties	13,277	12,811
Other recoveries	(61)	(88)
Interest income earned on debt retirement funds	(1,795)	(1,208)
Gain on disposal of properties	(6,827)	(6,292)
Federal contributions related to capital assets recognized as revenue	(2,080)	(1,971)
Provincial contributions related to capital assets recognized as revenue	(1,149)	(1,053)
Other contributions related to capital assets recognized as revenue	(287)	(302)
Payments from land profits holding account	(215)	(1,150)
Decrease (increase) in non-cash working capital balances related to operations	3,678	(1,378)
Increase in deferred federal contributions for expenses of future periods	3,495	6,856
Decrease in deferred provincial contributions for expenses of future periods	(12,527)	(4,742)
Deferral of interest income earned on provincial contributions	80	84
	$ 2,219	**$ 2,400**
Capital Activities:		
Investment in properties	$ (23,666)	$ (9,657)
Reduction in deposits with contractors	2,407	3,115
Proceeds from disposal of properties	6,861	6,524
	$(14,398)	**$ (18)**
Investing Activities:		
Decrease in loans receivable	$ 507	$ 1,516
	$ 507	**$ 1,516**
Financing Activities:		
Repayment of long-term debt	$ (1,299)	$ (1,438)
Debt retirement fund installments	(520)	(520)
Life lease deposit agreements net of refunds	1,553	260
Federal contributions allocated to capital assets	1,421	529
Provincial contributions designated for capital assets	67	130
Other contributions designated for capital assets	---	1,313
	$ 1,222	**$ 274**
Net (decrease) increase in cash position	$ (10,450)	$ 4,172
Cash, beginning of year	$ 125,616	$ 121,444
Cash, end of year	**$115,166**	**$125,616**

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation
Notes to Consolidated Financial Statements

December 31, 2015

Note 1: Status of the Corporation

The Saskatchewan Housing Corporation operates under the authority of *The Saskatchewan Housing Corporation Act*. Pursuant to section 36 of the Act, the Corporation receives contributions from the Government of Saskatchewan - General Revenue Fund.

The Corporation's general objectives are to undertake, facilitate, and promote measures which will contribute to the availability of adequate and suitable housing for all Saskatchewan residents, and in particular the provision of housing for senior citizens, families, the disabled and other groups or persons who require assistance. The Corporation also undertakes, facilitates and promotes measures to repair, rehabilitate and make improvements to housing.

The Corporation has been designated as a provincial Treasury Board Crown Corporation. Accordingly, its consolidated financial position, operating results and cash flows are included in the summary financial statements of the Government of Saskatchewan. As a Crown entity, the Corporation is not subject to federal income tax or provincial income and capital taxes.

Note 2: Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting (PSA) standards, issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, including the PSA standards for government not-for-profit organizations. The following accounting policies are considered significant:

Basis of consolidation

The consolidated financial statements include the accounts of Saskatchewan Housing Corporation and local or regional housing authorities throughout the Province, controlled by the Corporation.

Housing authorities are corporate bodies with no share capital, established by ministerial order pursuant to subsection 18 (1) of *The Saskatchewan Housing Corporation Act*. They provide community-based property management services and deliver programs on behalf of the Corporation. Housing authorities are controlled by the Corporation by virtue of the fact that the Minister-in-charge of the Corporation has the legislative authority to appoint the members of each housing authority. Also, subsection 18 (9) of *The Saskatchewan Housing Corporation Act* provides that housing authorities must comply with policies established by the Corporation.

Transactions and account balances between the Corporation and housing authorities have been eliminated in these consolidated financial statements.

Revenue recognition

The Corporation follows the deferral method of accounting for contributions.

Provincial operating contributions provided through the Ministry of Social Services are unrestricted in nature, subject only to the broad provisions of section 36 of *The Saskatchewan Housing Corporation Act*. Accordingly, these contributions are recognized as revenue in the year they are received or receivable.

Provincial contributions that are restricted for a specified purpose (note 11) are deferred and are recognized as revenue when the related expenses are incurred. As directed by Treasury Board, interest income earned on investment of certain deferred provincial contributions is restricted for use on related program expenses; the restricted interest income is deferred and is recognized as revenue when the expenses are incurred. Provincial contributions used for investments in properties are recognized as revenue on the same basis as the amortization of the related assets.

Federal contributions provided by Canada Mortgage and Housing Corporation (CMHC) are restricted in accordance with provisions of federal-provincial agreements (note 10). Accordingly, federal contributions are recognized as revenue when the related expenses are incurred. For housing programs within the scope of the Social Housing Agreement, federal contributions are recognized as revenue after the application of provincial operating contributions. Federal contributions used for investments in properties and related capital assets are allocated to Deferred federal contributions - capital assets, and are recognized as revenue on the same basis as the amortization of the related assets.

Note 2: Significant Accounting Policies, continued

Revenue from property operations is recognized at the time the accommodation has been provided and there is reasonable assurance regarding collectability of the amount due from the resident household. If there is significant uncertainty as to ultimate collection, revenue is recognized when cash is received.

Grants and subsidies

Grants are recognized as an expense when an application for assistance has been approved and performance requirements have been met. Forgivable loans provided to homeowners, developers, landlords, co-operatives and non-profit housing sponsors are accounted for as grants. Amounts repaid by clients who do not satisfy loan forgiveness conditions are recorded as other income in the consolidated statement of operations.

Subsidy assistance is provided to non-profit housing sponsors and co-operatives in accordance with operating agreements that set forth either a specified amount of assistance to be provided each year or the basis on which eligibility for assistance will be determined. For the latter type of operating agreements, subsidy assistance is recognized as an expense based on actual or estimated costs incurred by each housing sponsor in the year.

The Corporation has entered into agreements which provide for transfers of ownership of specified properties to non-profit housing sponsors, for no cash consideration. When such transfers of ownership occur, the fair value of the properties transferred is recorded as grants in kind.

Allocation of expenses

The fee for management services provided by the Ministry of Social Services (note 24) is allocated to operating expenses and to grant and subsidy programs based on the respective number of Ministry employees assigned to these functions. The Corporation applies this basis of allocation in a consistent manner each year.

Investment in properties

Investment in properties is carried at cost (which includes land, acquisition or construction, administrative and carrying costs), less accumulated amortization. The recorded cost of certain properties is net of amounts provided by CMHC and municipalities in consideration for an ownership interest in the properties.

The Corporation capitalizes costs that increase service potential by adding housing units to existing properties. Asset regeneration costs that result in replacement of housing units are also capitalized. Maintenance and renovation costs are expensed as incurred.

Amortization expense is recorded on a straight line basis over periods of up to forty years. On an ongoing basis, management reviews estimates of the useful life of properties, in the context of their respective service potential. These estimates are used to determine the periods over which the investment is amortized. Adjustments to amortization periods are accounted for on a prospective basis.

For properties whose service potential is impaired, due to a decline in the local demand for rental accommodation or other circumstances, the carrying amount is written down in proportion to the number of housing units for which vacancies are assessed by management as other than temporary in nature.

Properties held for sale are recorded at the lower of the carrying amount and fair value net of selling costs. Amortization is not recorded while a property is classified as held for sale. A property is classified as held for sale at the time the property is available for immediate sale, management has committed to a plan to sell the property and is actively marketing the property for sale at a price that is reasonable in relation to the fair value of the asset, and a sale is probable and expected to be completed within a one-year period.

Land held for development is recorded at the lower of net realizable value and cost.

Interest capitalization

Interest is capitalized on housing projects at rates established at individual project commitment dates, based on approximate market rates at the time.

Note 2: Significant Accounting Policies, continued

System development

Software license acquisitions and related applications development costs are capitalized. System development costs are amortized on a straight line basis from the date the system is placed in use, over the estimated useful life of up to ten years.

Financial instruments – classification and measurement

The Corporation has classified its financial instruments into one of the following measurement categories: fair value; or cost or amortized cost. The classification of financial instruments is designated upon initial recognition.

Cash is measured at cost. Debt retirement fund investments are measured at amortized cost. Interest income earned and realized gains or losses on debt retirement fund investments are included in interest income.

Accounts receivable and loans receivable are measured at cost. Loss provisions in respect of tenant accounts are netted against rents and other income. Loan impairment provisions are included in other charges in the consolidated statement of operations.

Accounts payable and accrued liabilities, the land profits holding account, life lease deposit agreements and long-term debt are measured at cost.

Loans receivable

Loans receivable are recorded at cost, less an allowance for loan impairment. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies.

Debt retirement funds

Debt retirement funds consists of monies deposited into funds administered by the Saskatchewan Ministry of Finance, invested to provide funds for repayment of advances from the General Revenue Fund. Interest income on investments is recognized as revenue in the period it is earned.

Cash

Cash consists of cash on hand and balances with banks, net of outstanding cheques.

Life lease deposit agreements

The Corporation has received interest-free deposits from residents of certain seniors' housing projects, in consideration for a life interest in a designated housing unit. Amounts received in respect of individual deposit agreements are refundable to the residents or to their personal representative, and are recorded as a liability of the Corporation.

Indemnities

Losses on indemnities (note 22) are provided for on the basis of an assessment of mortgage accounts that are in arrears, taking into consideration the fair value of the associated property net of selling costs.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Significant items subject to estimates include the carrying amount and amortization of investment in properties and underlying assessments of service potential, and the carrying amount of loans receivable and underlying estimates of the allowance for loan impairment. Due to the inherent uncertainty involved, actual results could differ from management's estimates.

Note 3: Adoption of New Public Sector Accounting Standards

Effective January 1, 2015, the Corporation adopted Public Sector Accounting Section PS 3260, *Liability for Contaminated Sites*. This Section provides guidance on the recognition, measurement and disclosure of liabilities for remediation of contaminated sites. Contaminated sites result from the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentration under an environmental standard. A liability for remediation of a contaminated site is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Corporation is directly responsible or accepts responsibility;
- the Corporation expects that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

Section PS 3260 has been applied prospectively. Accordingly, comparative amounts have not been restated.

Prior to the adoption of Section PS 3260, expenses for remediation of contaminated sites were recognized in the period when costs were incurred. Management has determined that the liability for remediation of contaminated sites at December 31, 2014 was not material to the Corporation's consolidated financial statements. Accordingly, the Corporation did not record an adjustment to accounts payable and accrued liabilities and the opening balance of deferred federal contributions.

Note 4: Recently Issued Public Sector Accounting Standards

The Public Sector Accounting Board has issued several new standards that are not yet effective and that have not been applied in preparing these consolidated financial statements. The new standards are as follows:

- Section PS 3210, *Assets*, provides guidance for applying the definition of assets set out in Section PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets.
- Section PS 3320, *Contingent Assets*, defines and establishes disclosure standards for contingent assets.
- Section PS 3380, *Contractual Rights*, defines and establishes disclosure standards for contractual rights.
- Section PS 3430, *Restructuring Transactions*, defines a restructuring transaction and establishes standards for recognition and measurement of assets and liabilities transferred in a restructuring transaction.

Sections PS 3210, PS 3320 and PS 3380 are effective for financial statements relating to fiscal years beginning on or after April 1, 2017. Section PS 3430 is effective for financial statements relating to fiscal years beginning on or after April 1, 2018. The Corporation plans to adopt the standards in the fiscal year in which they are effective. Management is currently analyzing the impact that these standards will have on the Corporation's consolidated financial statements.

Note 5: Investment in Properties

(thousands)

			2015	2014
	Cost	Accumulated Amortization	Carrying Amount	Carrying Amount
Wholly-owned housing projects	$ 303,473	$ 176,799	$ 126,674	$ 112,968
Housing investment	134,716	106,419	28,297	32,680
Other properties	2,597	1,022	1,575	1,534
Construction in progress	3,444	---	3,444	2,409
Properties held for sale	49	45	4	40
Land held for development	183	---	183	245
	$ 444,462	**$ 284,285**	**$ 160,177**	**$ 149,876**

Note 5: Investment in Properties, continued

The carrying amount of Investment in properties is dependent upon the continued receipt of contributions from CMHC and from the General Revenue Fund.

Housing investment represents the Corporation's ownership interest in housing projects constructed or acquired pursuant to partnership agreements. The Corporation's cost is net of amounts provided by CMHC and municipalities in consideration for an ownership interest in the housing projects.

The Corporation and CMHC have executed a Declaration of Trust by which the Corporation is trustee for CMHC's ownership interest in partnership and 100% CMHC-owned housing projects. CMHC's ownership interest will be earned by the Corporation over the remainder of each project's CMHC subsidy commitment period, in amounts which correspond to CMHC's annual amortization of the assets. Accordingly, no increase in investment in properties was recorded by the Corporation.

Note 6: Loans Receivable

(thousands)

			2015	2014
	Amortized Cost	Allowance for Loan Impairment	Carrying Amount	Carrying Amount
Second mortgages	$ 3,656	$ 612	$ 3,044	$ 3,442
Other mortgages	1,363	---	1,363	1,425
Other loans	2	2	---	---
	$ 5,021	**$ 614**	**$ 4,407**	**$ 4,867**

Second mortgages mature at various dates from 2018 to 2021 and are repayable in full at the maturity date. Interest income recorded by the Corporation is comprised of accrued interest due from clients at rates from 2.15% to 2.38% (2014 - 2.15% to 2.38%) plus a subsidy of 2.00%.

Other mortgages are repayable in monthly instalments of principal and interest and mature at various dates to the year 2026. These loans earned interest income at rates from 3.22% to 5.10% (2014 - 3.22% to 5.84%).

Note 7: Debt Retirement Funds

(thousands)

Under conditions attached to advances from the General Revenue Fund (note 9), the Corporation is required to pay annually into debt retirement funds held and invested by the Saskatchewan Ministry of Finance an amount at least equal to one per cent of the advances outstanding. Debt retirement funds are invested primarily in provincial government debt instruments, including Province of Saskatchewan debt instruments with a weighted average yield of 2.98% as at December 31, 2015 (2014 – 3.37%).

Debt retirement fund instalments totalling $520 are due each year from 2016 to 2018. Debt retirement fund instalments totalling $209 are due in 2019.

Note 8: Cash

(thousands)

Cash is comprised of bank balances of $115,166 (2014 - $125,616), which earned interest at rates from 1.15% to 1.43% (2014 – 1.08% to 1.45%) per annum.

Note 9: Long-term Debt

(thousands)

		2015	2014
Advances repayable to General Revenue Fund:			
Year Repayable	**Weighted Average Interest Rate (%)**		
2019	6.27	$ 31,106	$ 31,106
2020	6.48	20,898	20,898
		$ 52,004	$ 52,004
Mortgages payable to CMHC, due at various dates from January 1, 2016 to March 1, 2019, repayable in monthly instalments of $105 including interest at rates from 1.46% to 1.92%, secured by properties with a carrying amount of $3,811 (2013 - $4,382):		2,327	3,626
		$ 54,331	**$ 55,630**

Principal repayments due in each of the next five years are as follows:

2016	$ 1,035
2017	705
2018	455
2019	31,238
2020	20,898

Note 10: Deferred Federal Contributions

(thousands)

	2015	2014
Expenses of future periods	$122,998	$119,503
Capital assets	25,390	26,049
	$148,388	**$145,552**

Note 10: Deferred Federal Contributions, continued

Expenses of Future Periods

			2015	2014
	Social Housing Agreement	Agreement for Investment in Affordable Housing	Total	Total
Balance, beginning of year	$ 115,849	$ 3,654	$ 119,503	$ 112,647
Contributions from CMHC	44,896	12,078	56,974	52,183
Interest credited	1,449	---	1,449	1,484
Contributions allocated to capital assets	(875)	(546)	(1,421)	(503)
Recognized as revenue	(40,182)	(13,325)	(53,507)	(46,308)
Balance, end of year	**$ 121,137**	**$ 1,861**	**$ 122,998**	**$ 119,503**

The Social Housing Agreement took effect on January 1, 1997. Pursuant to the Agreement, CMHC will pay fixed annual contributions to the Corporation over the remainder of the CMHC subsidy commitment period for individual housing projects. A specified amount of the annual federal contributions must be applied toward housing programs which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs within the scope of the Agreement is similarly specified. Interest is credited to Deferred federal contributions - expenses of future years in accordance with the Agreement. Unexpended federal contributions must be carried forward by the Corporation for use toward expenses of future periods. Such contributions must be fully used, in accordance with the Agreement, by the Funding Expiration Date of December 31, 2038.

The objective of the Agreement for Investment in Affordable Housing is to reduce the number of households in need, by improving access to affordable housing. Programs within the scope of the Agreement increase housing supply, improve housing affordability, improve and preserve the quality of the existing housing stock or extend the independent living capacity of seniors and persons with disabilities. The Original Agreement provides for CMHC to make matching contributions to the Corporation of up to $27,570 for use toward commitments approved by March 31, 2015. The Supplementary Agreement ("2014-2019 Extension") provides for CMHC to make matching contributions to the Corporation of up to $45,950 for use toward commitments approved by March 31, 2019. The Original Agreement as amended and the Supplementary Agreement provide that funding approved for projects that are subsequently cancelled must be recommitted by March 31, 2020.

Capital Assets

				2015	2014
	Social Housing Agreement	Agreement for Investment in Affordable Housing	Other Agreements	Total	Total
Balance, beginning of year	$ 16,146	$ 749	$ 9,154	$ 26,049	$ 27,491
Contributions allocated	875	546	---	1,421	529
Recognized as revenue	(1,750)	(38)	(292)	(2,080)	(1,971)
Balance, end of year	**$ 15,271**	**$ 1,257**	**$ 8,862**	**$ 25,390**	**$ 26,049**

The Corporation may allocate federal contributions to investments in properties and related capital assets owned by the Corporation. Deferred federal contributions related to capital assets represent the unrecognized amount used for that purpose. These contributions are recognized as revenue on the same basis as the amortization of the related assets.

Note 11: Deferred Provincial Contributions

(thousands)

	2015	2014
Housing Trusts	$ 5,626	$ 7,420
Affordable Housing Programs and Other	45,901	57,636
	$ 51,527	**$ 65,056**

Housing Trusts

				2015	2014
	Affordable Housing Trust	**Off-Reserve Aboriginal Housing Trust**	**Capital Assets**	**Total**	**Total**
Balance, beginning of year	$ 2,430	$ 1,129	$ 3,861	$ 7,420	$ 8,554
Contributions allocated	(7)	(40)	47	---	---
Recognized as revenue	(559)	(995)	(240)	(1,794)	(1,134)
Balance, end of year	**$ 1,864**	**$ 94**	**$ 3,668**	**$ 5,626**	**$ 7,420**

Monies allocated to the Government of Saskatchewan from federal housing trusts are to be used for initiatives that are consistent with the intent of certain conditions established by the federal government, as set forth in the Operating Principles for each trust. Affordable Housing Trust monies are to be used for capital investments, and are not to be used to support property operations or to provide ongoing subsidy assistance to housing sponsors. Off-Reserve Aboriginal Housing Trust monies are to be used for initiatives that directly support housing for Métis and First Nations persons living off-reserve. The contributions are recognized as revenue when related expenses are incurred.

Affordable Housing Programs and Other

				2015	2014
	Expenses of Future Periods				
	Affordable Housing Programs	**Other**	**Capital Assets**	**Total**	**Total**
Balance, beginning of year	$ 16,744	$ 16,203	$ 24,689	$ 57,636	$ 62,083
Contributions received	5	3,295	---	3,300	5,604
Refund to General Revenue Fund	---	(900)	---	(900)	---
Contributions allocated	(20)	---	20	---	---
Interest credited	80	---	---	80	84
Recognized as revenue	(4,661)	(8,645)	(909)	(14,215)	(10,135)
Balance, end of year	**$ 12,148**	**$ 9,953**	**$ 23,800**	**$ 45,901**	**$ 57,636**

Note 11: Deferred Provincial Contributions, continued

Deferred provincial contributions for Affordable Housing programs includes unexpended funding provided to enable the Corporation to satisfy cost-matching obligations under the Agreement for Investment in Affordable Housing, to pay expenses associated with neighbourhood revitalization and to assist low income households through homeownership programs.

Other deferred provincial contributions for expenses of future periods are comprised of the following:

	2015	2014
Rental Construction Incentive	$ 4,108	$ 5,449
Affordable Home Ownership Program	647	1,178
Housing Summit Action Fund	1,460	2,003
Ministry of Social Services initiatives	3,596	6,323
Contribution from other Ministries	142	1,250
	$ 9,953	**$16,203**

In 2015, the Corporation received contributions of $2,295 (2014 - $nil) from the Ministry of Social Services for the Rental Construction Incentive program, and contributions of $5 (2014 - $4,354) for other initiatives.

In 2015, the Corporation received a contribution of $1,000 from the Ministry of Health for fire safety upgrades in small care homes. In 2014, the Corporation received contributions of $1,000 from the Ministry of Health and $250 from the Ministry of Justice for renovations to a residential facility owned by a community based organization.

These contributions, and similarly restricted contributions received in prior years, are recognized as revenue when related expenses are incurred. Contributions designated for capital assets are recognized as revenue on the same basis as the amortization of the related assets.

Note 12: Other Deferred Contributions Related to Capital Assets

(thousands)

	2015	2014
Balance, beginning of year	$ 3,767	$ 2,756
Contributions received	---	1,313
Transfer to other staff housing accounts	(112)	---
Recognized as revenue	(287)	(302)
Balance, end of year	**$ 3,368**	**$ 3,767**

This balance relates to staff housing and other properties transferred to the Corporation, as well as contributions provided by Saskatchewan government ministries and municipalities for the construction or acquisition of housing by the Corporation. These contributions are recognized as revenue on the same basis as the amortization of the related properties.

Note 13: Internally Restricted Net Assets

(thousands)

Portfolio Renewal Reserve

The Corporation's portfolio renewal initiative provides for acquisition of multi-family properties in selected cities, to be financed using the proceeds from disposal of single-family homes in those communities. The Corporation has established a Portfolio Renewal Reserve, which will be used to offset amortization charges in respect of the properties acquired. For the year ended December 31, 2015, gains of $6,723 (2014 - $5,833) on disposal of properties have been internally restricted for this purpose.

Risk Reserve

The Corporation has established a Risk Reserve, to mitigate operating risks associated with the Corporation's financial responsibility for housing programs transferred from CMHC pursuant to the Social Housing Agreement. The Corporation's board of directors has approved annual transfers from the Risk Reserve to Unrestricted Net Assets, to be determined based on the reduction in the aggregate balance of CMHC mortgages outstanding (note 22). For the year ended December 31, 2015, $619 (2014 - $511) was transferred from the Risk Reserve to Unrestricted Net Assets.

Renovation Commitments

The Corporation and housing authorities controlled by the Corporation enter into contracts for renovation of properties. An internal restriction of net assets has been made to reflect outstanding commitments under renovation contracts as of December 31, 2015. As expenses are incurred they are charged to operations, with a corresponding reduction to the appropriated amount.

Note 14: Financial Instruments and Risk Management

(thousands)

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis explains the nature and extent of the Corporation's exposures to credit risk, interest rate risk, other price risk and liquidity risk, and how the Corporation manages those risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is exposed to credit risk through its cash balances, debt retirement funds, accounts receivable and loans receivable. The maximum exposure to credit risk, as represented by the carrying amounts of these financial assets, is as follows:

	2015	2014
Cash	$ 115,166	$ 125,616
Debt retirement funds	32,212	29,897
Accounts receivable	8,191	11,932
Loans receivable	4,407	4,867

The Corporation's policy is to invest only in instruments which secure the preservation of capital and sufficient liquidity to meet short-term financial obligations as they come due. The Corporation may also invest cash in interest-earning bank accounts (note 8). Credit risk is minimized by transacting with institutions that have strong credit ratings.

Note 14: Financial Instruments and Risk Management, continued

Debt retirement funds are on deposit with the General Revenue Fund, and are invested as the Saskatchewan Ministry of Finance may determine. As at December 31, 2015, the funds are invested primarily in provincial government debt instruments with varying maturities. Credit risk associated with these investments is considered to be low.

Accounts receivable consist primarily of amounts due from CMHC and municipalities, federal Goods and Services Tax rebates, accrued interest income and amounts due from non-profit housing sponsors, which in aggregate represent 84% (2014 - 77%) of balances outstanding. The carrying amount of these and other accounts receivable, excluding tenant accounts, is $7,800 as at December 31, 2015 (2014 - $11,505). Credit risk on these accounts is considered to be low, and management does not consider the amounts outstanding to be past due.

Tenant accounts are managed by housing authorities. Credit risk arises from the possibility that tenants might be unable to fulfill their lease commitments. Housing authorities mitigate this risk by conducting rental reference checks prior to tenant placement, through well defined procedures for addressing rent arrears, and by limiting the exposure to credit loss for any one tenant.

The carrying amount of tenant accounts receivable is $391 as at December 31, 2015 (2014 - $427). This amount is comprised of rent arrears in respect of current tenants totalling $211 (2014 - $243) and former tenants totalling $1,043 (2014 - $1,003), less an allowance for doubtful accounts of $863 (2014 - $819).

The allowance for doubtful accounts is determined based on a review of account balances in respect of former tenants. Rent arrears in respect of current tenants are not considered to be impaired, as there is an ongoing client relationship. Account balances in respect of former tenants are written off once it is determined that all reasonable collection efforts have been exhausted, and the Corporation's management has approved a write-off. Changes in the allowance for doubtful accounts are as follows:

	2015	2014
Balance, beginning of year	$ 819	$ 788
Accounts written off	(808)	(682)
Recoveries	118	84
Provision for bad debts	734	629
Balance, end of year	**$ 863**	**$ 819**

Credit risk also arises from the possibility that borrowers might default on their contractual loan obligations. Credit exposure on loans receivable is managed through appropriate account administration.

For second mortgages, the allowance for loan impairment consists of specific provisions for accounts that management considered to be impaired, and a general provision for other potential future credit losses. For other mortgages and loans, the allowance for impairment is determined on the basis of a review of individual clients' payment records. Generally, management considers an account to be impaired if there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Management also takes into consideration the estimated realizable value of mortgage security where applicable. Changes in the allowance for loan impairment are as follows:

	2015	2014
Balance, beginning of year	$ 655	$ 834
Accounts written off	(16)	(123)
Reduction in provision for impairment	(25)	(56)
Balance, end of year	**$ 614**	**$ 655**

Credit risk associated with the obligation to indemnify CMHC against losses on certain loans is described at Note 22, Contingencies.

Note 14: Financial Instruments and Risk Management, continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk through its debt retirement fund investments, cash, loans receivable and long-term debt.

The Corporation manages interest rate risk on long-term debt by obtaining long-term advances from the General Revenue Fund at fixed interest rates, and by renewing mortgage financing with CMHC at fixed interest rates for the maximum available term. Because long-term debt is comprised entirely of instruments with fixed interest rates, the Corporation has not provided a sensitivity analysis to show the effect of interest rate changes on operating results.

As at December 31, 2015, the Corporation had no financial contracts in place to offset interest rate risk.

Management believes that reasonably possible changes in interest rates over the next year would not result in a material change in the fair value of debt retirement fund investments; therefore the Corporation has not provided a sensitivity analysis to show the effect of such interest rate changes on operating results.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the particular financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Corporation is exposed to other price risk through its debt retirement fund investments.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting financial obligations as they fall due. To manage liquidity risk, the Corporation maintains adequate cash balances. The Corporation also maintains a line of credit facility with the General Revenue Fund, which allows the Corporation to access up to $45,000 on a revolving basis. The Corporation did not draw on this line of credit facility in 2015 or in 2014.

A maturity analysis of the Corporation's financial liabilities as at December 31, 2015 is as follows. The contractual cash flows reported are undiscounted and include interest payments and finance charges.

		Contractual Cash Flows				
	Carrying Amount	**Total**	**2016**	**2017**	**2018 to 2020**	**2021 and thereafter**
Advances repayable to General Revenue Fund	$ 52,004	$ 65,526	$ 3,304	$ 3,304	$ 58,918	$ ---
Mortgages payable to CMHC	2,327	2,372	1,067	1,152	153	---
Long-term debt	54,331	67,898	4,371	4,456	59,071	---
Life lease deposit agreements	14,314	14,314	14,314	---	---	---
Accounts payable and accrued liabilities	21,770	21,966	20,963	103	308	592
	$ 90,415	**$ 104,178**	**$ 39,648**	**$ 4,559**	**$ 59,379**	**$ 592**

Note 15: Interest Income

(thousands)

	2015	2014
Interest income earned on debt retirement funds	$ 1,795	$ 1,208
Interest income earned on other investments	1,676	1,819
Interest income earned on loans receivable	445	394
Less amounts deferred	(80)	(84)
	$ 3,836	**$ 3,337**

Note 16: Gain on Disposal of Properties

(thousands)

In 2015, the Corporation disposed of certain properties, comprised mostly of single-family homes. Proceeds, net of CMHC's share and the municipal share where applicable, were $6,861 (2014 - $6,524). A gain on disposal of $6,827 (2014 - $6,292) was recognized.

Note 17: Operating Expenses

(thousands)

	2015	2014
Maintenance and renovation	$ 50,549	$ 48,327
Utilities	20,280	20,331
Grants in lieu of property taxes	15,196	14,602
Other operating	42,515	42,383
	$ 128,540	**$ 125,643**

Other operating expense includes charges totalling $4,207 (2014 - $4,207) in respect of management services provided to the Corporation by the Ministry of Social Services.

Note 18: Grants and Subsidies

(thousands)

	2015	2014
Affordable Housing Programs	$ 17,751	$ 17,299
Housing Trusts	1,553	945
Rental Construction Incentive	3,635	2,514
Affordable Home Ownership Program	531	435
Housing Summit Action Fund	771	1,109
Subsidy assistance - Non-profit housing	11,851	12,264
Subsidy assistance - Co-operative housing	1,870	1,810
Other grants and subsidies	4,623	2,665
	$ 42,585	**$ 39,041**

Note 18: Grants and Subsidies, continued

Subsidy assistance is provided to non-profit housing sponsors and co-operatives in accordance with operating agreements that set forth either a specified amount of assistance to be provided each year or the basis on which eligibility for assistance will be determined. These agreements expire at various dates to the year 2029 (note 23(d)).

Subsidy assistance - Non-profit housing includes assistance of $1,618 (2014 - $1,892) provided to Regional Health Authorities, in respect of certain nursing home facilities.

Grants and subsidies expense includes charges totalling $503 (2014 - $481) in respect of management services provided to the Corporation by the Ministry of Social Services.

Note 19: Interest Expense

(thousands)

	2015	2014
Interest paid during the year	$ 3,519	$ 3,539
Interest credited to deferred federal contributions	1,449	1,484
Reduction in accruals	(2)	(2)
	$ 4,966	**$ 5,021**

Interest incurred includes $3,304 (2014 - $3,304) on advances repayable to the General Revenue Fund. Accrued interest payable to the General Revenue Fund at December 31, 2015 totaled $774 (2014 - $774).

Note 20: Expenses by Object

(thousands)

	2015	2014
Salaries and benefits	$ 23,857	$ 24,155
Purchased goods and services	104,683	101,488
Grants and subsidies	42,585	39,041
Amortization	13,277	12,811
Interest expense	4,966	5,021
Other	(311)	(102)
	$ 189,057	**$ 182,414**

Note 21: Pension Plan

(thousands)

Housing authorities and eligible employees participate in the Public Employees Pension Plan (PEPP), a multi-employer defined contribution pension plan sponsored by the Government of Saskatchewan. Prior to July 1, 2015, housing authorities and eligible employees participated in the Capital Pension Plan, sponsored by Crown Investments Corporation of Saskatchewan. Assets of the Capital Pension Plan were transferred to PEPP on June 30, 2015 and the Capital Pension Plan was wound up.

The housing authorities' financial obligation is limited to providing contributions at a specified rate in respect of employees' current service. For the year ended December 31, 2015, employer contributions of $1,541 (2014 - $1,500) to pension plans are included in other operating expense (note 17).

Note 22: Contingencies

(thousands)

Pursuant to the Social Housing Agreement, the Corporation is responsible for the administration of a portfolio of mortgage loans provided by CMHC to third party housing sponsors. The Agreement states that the Corporation shall indemnify CMHC against all losses and expenses arising from defaults by borrowers. As at December 31, 2015, mortgages with an aggregate balance of $88,828 (2014 - $102,721) were outstanding. The mortgages are being amortized through monthly payments and mature at various dates to the year 2030.

The portfolio includes 76 (2014 - 82) mortgages, totalling $35,715 (2014 - $41,050), provided to non-profit and co-operative housing sponsors who receive ongoing subsidy assistance from the Corporation that is presently sufficient to enable mortgage payments to be made when due. The portfolio also includes 175 (2014 - 182) mortgages, totalling $53,113 (2014 - $61,671), provided to sponsors of nursing home or group home facilities who receive funding for operations from the Ministry of Health or the Ministry of Social Services, respectively.

The Corporation has established a Risk Reserve (note 13) to fund losses incurred on the portfolio of CMHC mortgages. As at December 31, 2015, none of the mortgages administered on behalf of CMHC were in default, and accordingly no liability is recorded in respect of the Corporation's obligation to indemnify CMHC.

Note 23: Contractual Obligations

(thousands)

The Corporation has the following contractual obligations as at December 31, 2015:

(a) Construction costs of $3,148

(b) Renovation costs of $649

(c) Rental obligations in respect of operating leases for office space and maintenance facilities for the next five years as follows:

2016	$701
2017	592
2018	356
2019	95
2020	8

(d) Grants and subsidies:

The Corporation has approved commitments under various programs for grants or ongoing subsidy assistance to homeowners, private developers and landlords, co-operatives, non-profit housing sponsors and Regional Health Authorities.

As at December 31, 2015, commitments for grants for which performance requirements have not been met totaled $25,707.

The estimated cost of ongoing subsidy assistance for the next five years is as follows:

2016	$13,200
2017	12,900
2018	12,700
2019	12,400
2020	11,600

Note 23: Contractual Oblications, continued

Ongoing subsidy assistance obligations include amounts to be provided to Regional Health Authorities as follows:

2016	$1,448
2017	1,412
2018	1,400
2019	1,364
2020	1,316

Uncertainty regarding future interest rates and other economic factors precludes reasonable estimation of the Corporation's obligations for ongoing assistance beyond a five-year period.

Note 24: Related Party Transactions

(*thousands*)

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, and agencies related to the Corporation by virtue of common control by the Government of Saskatchewan, collectively referred to as "related parties".

Transactions with related parties in the normal course of operations are settled at the prevailing prices charged by these organizations, under normal trade terms. These transactions are not significant to the Corporation's consolidated operations or financial position except as described below.

	2015	2014
Expenses:		
Services provided by Saskatchewan Power Corporation ("SaskPower")	$6,923	$7,078
Services provided by SaskEnergy Incorporated ("SaskEnergy")	5,391	5,792
Services provided by Ministry of Social Services	4,710	4,688
Services provided by Ministry of Central Services - Information Technology Division	1,600	1,674
Investment in properties, for the year ended December 31:		
Services provided by SaskPower	$ 9	$ 16
Services provided by SaskEnergy	4	6
Accounts payable and accrued liabilities, as at December 31:		
SaskPower	$ 420	$ 263
SaskEnergy	491	609
Ministry of Central Services - Information Technology Division	210	26

Note 24: Related Party Transactions, continued

The Ministry of Social Services provides management services to the Corporation. Charges are recorded for administration of housing operations and other programs within the scope of the Social Housing Agreement, for delivery of programs within the scope of other agreements between the Corporation and CMHC, and for delivery of programs funded from provincial contributions. Amounts charged to the Corporation do not exceed related costs incurred.

Accounts receivable includes $nil (2014 – $1,050) due from Saskatchewan Government Insurance, in respect of a fire insurance claim.

Accounts payable and accrued liabilities as at December 31, 2015 includes $1,042 (2014 - $1,080) received from Saskatchewan government ministries and agencies, restricted for use on renovations to Staff Housing units.

Other transactions with and amounts due to related parties are described separately in these consolidated financial statements and the notes thereto.

Note 25: Comparative Information

Certain 2014 financial information has been reclassified to conform to the current year's presentation.

Corporate Governance

Board Responsibilities

The Board is responsible for establishing a strategic direction for the Corporation within the context of Government priorities and directions and monitoring results towards those ends.

The Board does not become involved in day-to-day management, but entrusts operational decisions to senior management. Senior management is held accountable for the Corporation's performance.

Board Composition and Compensation

As of December 31, 2015, the Board consisted of seven members with diverse experience and expertise, representing a broad spectrum of housing industry stakeholders.

As a Treasury Board Crown Corporation, remuneration for the Board is established by Treasury Board Policy. Board members receive per diems for meetings attended. Travel and sustenance reimbursement for Board business is at prevailing Saskatchewan Government rates.

Committees

The Board has established the following committees to address specific areas of Board responsibility. These committees are essential mechanisms in ensuring that the business of the Corporation is conducted in a timely and appropriate manner.

- **Audit and Finance Committee**
  The Audit and Finance Committee assists the Board in ensuring the Corporation meets legal, reporting, and accountability requirements set out in relevant legislation; financial integrity and transparency; adequate and effective management of information systems and sufficient risk management. The committee also assists the Board with other matters related to the Corporation's accounting policies, reporting practices, and internal controls.
- **Governance Committee**
  The Governance Committee provides leadership to the Board in relation to all governance processes, policies, and principles of the Corporation; along with undertaking other duties upon request to assist the Board in delivering governance practices.

Board of Directors

Keith Hanson (Chair)

Mr. Hanson, a Professional Engineer, has been involved in the housing industry for over 30 years, and has always had a passion for the development and provision of appropriate, efficient and financially sustainable housing. He is currently President and CEO of Sun Ridge Residential Inc., a Saskatchewan-based company specializing in housing systems, energy and environmental efficiency, housing affordability and quality assurance.

Bob Linner (Vice Chair)

Mr. Linner served in a leadership capacity in municipal government in Regina and Prince Albert for 39 years as a city planner and administrator, retiring in 2006 after 19 years as Regina City Manager. He is one of only seven Honorary Life Members of the Canadian Association of Municipal Administrators, recipient of the Lieutenant Governor's Gold Medal for Excellence in Public Administration, the Saskatchewan Centennial Medal and, most recently, the Queen Elizabeth II Diamond Jubilee Medal. He currently serves on seven other Boards, including Regina Habitat for Humanity.

Colleen Mah (Director)

Ms. Mah was born and raised in Saskatoon where she attended the University of Saskatchewan, graduating with a Bachelor of Commerce degree in 1976. Upon graduation, she went to work for the Federal Government. In late 1998, she joined in the family business, North Ridge Development Corporation. She is a licensed Broker-realtor and has been involved in the Saskatoon and Region Home Builders' Association as well as the Saskatoon and Region Association of Realtors.

Pat Pitka (Director)

Mr. Pitka is a Chartered Accountant by profession, having been a Partner with KPMG in Regina and Saskatoon. He was recognized by the Institute of Chartered Accountants of Saskatchewan with the distinction of Fellow in 1988. Pat has been involved in the nursing home industry for over 30 years. Currently, he is involved in the construction of a 176 suite Assisted and Independent Living complex in Saskatoon. He also serves as Chief Financial Officer with a number of organizations.

Troy Tilbury (Director)

Mr. Tilbury studied architecture at the Southern Alberta Institute of Technology (SAIT) Polytechnic and graduated in 2005 with honours. He and his wife, Raelyn, operate Tilbury Design in Moose Jaw which specializes in residential design, commercial interior design, heritage restoration and adaptive re-use. Mr. Tilbury instructs Architectural Technology part time at Saskatchewan Polytechnic and continues to expand his knowledge of green and sustainable building techniques. Mr. Tilbury, along with his wife, was named to Moose Jaw's Top 40 Under 40 in 2012. Since relocating back to Moose Jaw in 2010, Mr. Tilbury is actively involved with a number of local organizations.

Patti Durand (Director) - *June 2012 to May 2015*

Ms. Durand has been active in the Humboldt area business community for over 15 years. Her farm roots and university training in agriculture provided the foundation as she became engaged in entrepreneurial pursuits. Patti's primary focus is Prairie View Properties – a country residential acreage development, located just outside her home city. Patti's passion about her community is demonstrated as she volunteers in numerous capacities, being named Humboldt's Citizen of the year in 2010.

Arthur Postle (Director) - *Appointed June 2015*

Mr. Postle was born, raised, and educated in Saskatoon where he attended the University of Saskatchewan, graduating with a Bachelor of Commerce degree in 1967. Upon graduation he articled with Touche, Ross, Bailey & Smart, a predecessor firm to Deloitte. He was designated a Chartered Accountant in 1971, and joined Federated Co-operatives Limited in 1974 as Director of Internal Audit. He later became Finance Manager, and then Senior Vice-President Treasurer in 1988. In 2007, he was appointed Chief Executive Officer, a position he held until his retirement in 2010. Mr. Postle is actively involved in a number of community organizations.

Ken Acton (Director)

Mr. Acton became a Director on the Board upon his appointment as Deputy Minister of Social Services on January 1, 2012. Ken was born and raised on a farm near Moose Jaw, Saskatchewan and operated the family farm from 1974 until the late 1990s. Ken joined the Saskatchewan Public Service in 1988 and held numerous senior leadership roles with the Ministry of Justice and Attorney General. Ken served as Chair of the Public and Private Rights Board of Saskatchewan from 1990 to 2011.

For More Information

For additional copies of this Annual Report, please call 1-800-667-7567 or visit SHC's home page at: www.saskatchewan.ca/shc and click on the "SHC Annual Reports" link. Information on housing programs and services is also available at this website.

Copies of SHC's Annual Reports dating back to 2006 are also available online.

E-mail contact: housinginquiry@gov.sk.ca

Regina

Chateau Tower
11th Floor, 1920 Broad Street
Regina SK S4P 3V6
Phone: 306-787-4177
Toll Free: 1-800-667-7567

Prince Albert

7th Floor, McIntosh Mall
800 Central Avenue
P.O. Box 3003
Prince Albert SK S6V 6G1
Phone: 306-953-2540
Toll Free: 1-800-667-9656

Saskatoon

225 First Avenue North
Saskatoon SK S7K 1X2
Phone: 306-933-6292
Toll Free: 1-866-245-5758